(b) if so, the year-wise and country-wise details thereof alongwith the amount proposed to be invested therein; and

(c) the decision taken by the Union Government in this regard?

THE MINISTER OF INDUSTRY (SHRI MURASOLI MARAN) : (a) to (c). The total foreign direct investment proposals approved during the last three years i.e. from January, 1994 to September, 1996 in the State of Gujarat (including tribal area) is as under :

Year	No. of Proposals	Amount (Rs. in crores)
1994	52	1142.39
1995	59	426.29
1996 (Upto Sept.)	48	749.76

The details of such proposals viz. Name and country of foreign collaborator, equity investment involved, item of manufacture/activity are published by the Indian Investment Centre as a supplement to the Monthly Newsletter and copies of these are regularly supplied to the Parliament Library.

[English]

Misuse of Stockinvest Scheme

2250. SHRI JANG BAHADUR SINGH PATEL :
SHRI I.D. SWAMI :
SHRI RAM SAGAR :

Will the Minister of FINANCE be pleased to state :

(a) whether the R.B.I. has carried out investigations into the misuse of the stockinvest scheme in the private and public sector banks including Vyasa Bank Ltd;

(b) if so, the details of irregularities detected and the action taken by the Government in each of the cases; and

(c) the measures proposed to be taken to ensure that the stockinvest scheme is no longer misused?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) and (b). Yes, Sir. The bank-wise details of the irregularities detected in the case of public and private sector and the action taken thereon is given in the Statement enclosed.

(c) The RBI has initiated a series of steps to curb the irregularities in the operation of Stockinvest Scheme the details of which are given below :

(i) Banks are permitted to issue Stock Invests only to individuals and mutual funds.

(ii) A ceiling of Rs. 10 lakhs per individual per capital issue for issue of Stock Invest has been laid as corporates were found availing Stock Invests using individuals.

(iii) Banks have been advised that acceptance of share applications unaccompanied by Original SI/Cheque, furnishing declarations to appropriate authorities and treating such applications as valid are not in order and that the bankers lien on the investors deposit account in respect of unused SI should not be lifted before the expiry of 4 month period.

STATEMENT

	Name of the Bank	Type of irregularity	Action taken against the bank
	1	2	3
(i)	Bank of Rajasthan Ltd.	(i) Issue of stockinvests to individuals to subscribe to the public issue of companies in which they/their relatives were directors/promoters.	A penalty of Rs. 5 lakh has been imposed on the bank The bank has also been prohibited from issuing
		(ii) Issue of stockinvest to stockbrokers of the Calcutta Stock Exchange.	stockinvests from its Chowringhee (Calcutta) branch for a period of six month.
(ii)	Indus Ind Bank Ltd.	(i) Transfer of funds from the overdraft/cash credit accounts of companies to individual accounts of the	A penalty of Rs. 5 lakh has been imposed on the bank. The Mumbai branch of

1	2	3
	directors/partners of the company/firm for enabling them to avail of stockinvest. (ii) Extensions of credit facilities to an investment company against pledge of shares of the group company in violation of instructions contained in RBI circular DBOD. No. SIC.BC. 114/-C.739 (A-1) 86 dated 24.10.86. (iii) Extensions of credit facilities to a company against the security of Certificate of Deposit held in the name of directors in violation of the instructions contained in RBI circular DBOD. No. BP.BC. 134/65/-89 dated 6.6.1989.	the bank has also been prohibited from issuing stockinvest for a period of 6 months.
(iii) Vysya Bank Ltd.	(i) Funds released for packing credit were diverted for purchase of Stockinvests (SI). (ii) Transfer of funds from accounts of companies to individual accounts for issue of SIs. (iii) Issue of SIs in bulk.	It has been decided to impose a penalty of Rs. 5 lakh and to prohibit the following branches of the bank from issuing stock-invests for a period of 6 months- (a) Ellisbridge (Ahmedabad) (b) Ashram Road (-do-) (c) Overseas (Mumbai) (d) Khar West (Mumbai) (e) K.K. Tagore Street (Calcutta)
(iv) HDFC Bank Ltd.	Issue of SIs of Rs. 2 crore each to 150 individuals for applying to the public issue of HDFC Bank Ltd, against the lien on deposits opened on the strength of introduction given by a single person. The funds for opening of the deposit accounts were received from the current account of Reliance Projects Services, a partnership concern having current account with Syndicate Bank, Fort, Mumbai.	Show cause notice under Section 47A of the Banking Regulation Act, 1949 was issued to the bank asking it as to why a penalty should not be imposed on it and why the bank should not be prohibited from issuing SIs in future. In reply to the above notice as also during the personal hearing the bank's MD submitted that since the bank commenced business only in January 1995 it had rely on the

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			introduction of a bonafide parson known to the bank and therefore the accounts were opened with introduction furnished by one person. The bank had however complied with the formalities of opening the deposit accounts. Further, 150 depositors were physically present for opening the accounts. Also, the transactions were investment transactions of individuals who were allotted shares on the basis of allotment approved by Mumbai Stock Exchange and the bank had ensured that these were not Benami transactions. The bank also confirmed that necessary instructions have been issued to branches and that adequate internal control mechanism has been put in place. As the explanation of the bank was found satisfactory it was decided not to proceed with the imposition of penalty/prohibition.
(v)	Bank of Madura Ltd. (Delhi branches)	(i) Issue of SIs to Stock-broking firm. (ii) Issue of SIs against clearing cheques/ overdraft discounting of cheques. (iii) SIs were issued to partners in their individual names by debiting the firms account. (iv) Issue of SIs against third party deposits. (v) Issue of SIs against inadequate deposit cover.	It has been decided to issue a show cause notice asking the bank as to why a penalty of Rs. 5 lakhs and prohibition from issue of SIs from any of its branches in Delhi should not be imposed.
(vi)	Global Trust Bank Ltd.	(i) SIs were issued to individuals against their savings account which in turn were funded from packing credit account. (ii) SIs were issued against working capital facilities sanctioned to to Co. (iii) On the basis of power of attorney lodged by the investors, several investment companies were issued SIs in bulk.	Show cause notice is being issued asking the bank as to why a penalty of Rs. 5 lakhs and prohibition from issue of SIs from its Chowringhee branch (Calcutta) and Opera House branch (Mumbai) should not be imposed.

1		2	3
		(iv) A part of temporary overdraft granted for working capital purpose was transferred to individual account of a director to enable him to avail SIs. (v) Issue of SIs to a share-broker.	
(vii)	State Bank of Saurashtra	(i) Issue of SIs to corporates/ financial intermediaries using individuals as 'fronts'. (ii) Lifting of lien of deposit account against which SIs were issued on the basis of allotment declared in press rather than on actual receipt of SI or a letter from the Registrar.	A penalty of Rs. 5 lakh has been Imposed on the bank.
(viii)	Indian Bank	(i) Transfer of funds from the accounts maintained with other banks to buy SIs. (ii) Issue of SIs against clearing effects. (iii) Issue of SIs to firms/ companies belonging to Parle Group of companies. (iv) Issue of SIs by debit to cash credit accounts. (v) Issue of SIs without marking lien on deposit account.	Show cause notice under Section 47A of the Banking Regulation Act, 1949 was issued to the bank asking it as to why a penalty should not be imposed on it and why the bank should not be prohibited from issuing SIs in future. The bank's GM during the personal hearing confirmed that SIs were issued to the corporate clients viz Parle Group of companies before issue of RBI circular dated 2 September, 1994 (in terms of which banks have been prohibited from issuing SIs to corporates, share brokers and non-banking finance companies). The GM further confirmed that SIs were issued against clear credit balance and not against drawing power available in cash credit limits and that lien was noted on the Stockinvest Deposit Account. As the explanation of the bank was found satisfactory it was decided not to proceed with the imposition of penalty/ prohibition.
(ix)	Centurion Bank Ltd.	(i) Improper maintenance of records of Stock-invest blank forms and those issued; (ii) Stock-invests were issued to third parties against insufficient deposits and payments were made by extending credit.	The matter is being examined.